

Texans for Public Justice

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January 19, 2016

Office of General Counsel
Federal Election Commission
999 E Street NW
Washington, DC 20463

OFFICE OF GENERAL COUNSEL
RE: Ted Cruz for Senate Committee Complaint

SENSITIVE

Acting General Counsel Daniel Petalas,

MUR # 7001

We urge you to audit and investigate apparent violations of the Federal Election Campaign Act by the Ted Cruz for Senate Committee (FEC #C00492785, hereafter "the Cruz Committee").

During the 2012 Senate race, the Cruz Committee reported that Ted Cruz loaned the campaign a total of \$1.43 million. The loans were reported as coming from personal funds in five installments:

- * \$70,000 received on 3/31/2011 (APR Quarterly Report, Schedule C, filed 4/15/2011);
- * \$400,000 received on 5/18/2012 (JUL Quarterly Report, Schedule C, filed on 7/15/2012);
- * \$560,000 received on 5/22/2012 (also JUL Quarterly Report, Schedule C, filed on 7/15/2012);
- * \$250,000 received on 7/23/2012 (OCT Quarterly, Schedule C, filed on 10/15/2012); and
- * \$150,000 received on 8/7/2012 (also OCT Quarterly, Schedule C, filed on 10/15/2012).

Much later, on May 15, 2013, Sen. Cruz filed his U.S. Senate Financial Disclosure Report covering calendar year 2012. Part VII of that personal financial report disclosed that Citibank and Goldman Sachs each loaned Ted Cruz from \$250,001 to \$500,000 apiece in 2012.

On understanding and belief, the Cruz Campaign violated federal law by failing to promptly disclose these bank loans and the underlying loan documents to the Federal Election Commission (11 CFR 104 et seq., implementing FECA 52:30104). The Cruz Committee had a legal obligation to do so because these personal loans were used to replenish much of the personal funds that Ted Cruz contributed to the Cruz Committee. A Cruz spokesperson recently confirmed that Cruz had used the Goldman loan to finance his Senate campaign. "A spokeswoman for Mr. Cruz's presidential campaign, Catherine Frazier, acknowledged that the loan from Goldman Sachs, drawn against the value of the Cruzes' brokerage account, was a source of money for the Senate race." ("Cruz Neglected to Report Loan from '12 Race." *New York Times*, Jan. 13, 2016). The Cruz campaign then acknowledged in a letter to the FEC on January 14, 2016 that the Citibank and Goldman loans both served as "the underlying source" of some of Cruz's personal loans to the campaign and therefore should have been reported to the FEC in campaign disclosures during the 2012 Texas senate race. They were not.

Ted Cruz's enormous campaign-related debts to Citibank and Goldman Sachs went totally undisclosed to the public for as long as 12 months. As a result, these debts and their underlying sources were hidden from voters until well after the 2012 Texas primary and general elections. Ted Cruz first disclosed these bank loans after he already was ensconced in the U.S. Senate.

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Moreover, the Cruz Campaign failed to disclose these campaign-related bank loans to the FEC, as required by law, for well over three years. Federal Election Campaign disclosure requirements are designed to prevent just such post-election surprises.

To deter future violators, we urge you to investigate these allegations and hold the Cruz Campaign and Sen. Cruz responsible for any violations of law. It sends a cynical political message when lawmakers are allowed to break the law with impunity.

Respectfully submitted,

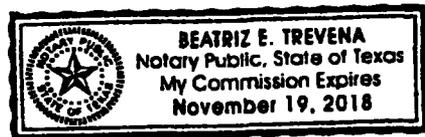
Craig McDonald

Texans for Public Justice, by
Craig McDonald
609 W. 18th St., Suite E
Austin, TX 78701
(512) 472-9770

State of Texas
County of Travis

Sworn to and subscribed before me on
the 19th day of January 2016, by Craig
McDonald.

Beatriz E. Trevena
Notary Public



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POLITICS

Ted Cruz Didn't Report Goldman Sachs Loan in a Senate Race

By MIKE McINTIRE JAN. 13, 2016

As Ted Cruz tells it, the story of how he financed his upstart campaign for the United States Senate four years ago is an endearing example of loyalty and shared sacrifice between a married couple.

“Sweetheart, I’d like us to liquidate our entire net worth, liquid net worth, and put it into the campaign,” he says he told his wife, Heidi, who readily agreed.

But the couple’s decision to pump more than \$1 million into Mr. Cruz’s successful Tea Party-darling Senate bid in Texas was made easier by a large loan from Goldman Sachs, where Mrs. Cruz works. That loan was not disclosed in campaign finance reports.

Those reports show that in the critical weeks before the May 2012 Republican primary, Mr. Cruz — currently a leading contender for his party’s presidential nomination — put “personal funds” totaling \$960,000 into his Senate campaign. Two months later, shortly before a scheduled runoff election, he added more, bringing the total to \$1.2 million — “which is all we had saved,” as Mr. Cruz described it in an interview with The New York Times several years ago.

A review of personal financial disclosures that Mr. Cruz filed later with the

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Senate does not find a liquidation of assets that would have accounted for all the money he spent on his campaign. What it does show, however, is that in the first half of 2012, Ted and Heidi Cruz obtained the low-interest loan from Goldman Sachs, as well as another one from Citibank. The loans totaled as much as \$750,000 and eventually increased to a maximum of \$1 million before being paid down later that year. There is no explanation of their purpose.

Neither loan appears in reports the Ted Cruz for Senate Committee filed with the Federal Election Commission, in which candidates are required to disclose the source of money they borrow to finance their campaigns. Other campaigns have been investigated and fined for failing to make such disclosures, which are intended to inform voters and prevent candidates from receiving special treatment from lenders. There is no evidence that the Cruzes got a break on their loans.

A spokeswoman for Mr. Cruz's presidential campaign, Catherine Frazier, acknowledged that the loan from Goldman Sachs, drawn against the value of the Cruzes' brokerage account, was a source of money for the Senate race. Ms. Frazier added that Mr. Cruz also sold stocks and liquidated savings, but she did not address whether the Citibank loan was used.

The failure to report the Goldman Sachs loan, for as much as \$500,000, was "inadvertent," she said, adding that the campaign would file corrected reports as necessary. Ms. Frazier said there had been no attempt to hide anything.

"These transactions have been reported in one way or another on his many public financial disclosures and the Senate campaign's F.E.C. filings," she said.

Kenneth A. Gross, a former election commission lawyer who specializes in campaign finance law, said that listing a bank loan in an annual Senate ethics report — which deals only with personal finances — would not satisfy the requirement that it be promptly disclosed to election officials during a campaign.

“They’re two different reporting regimes,” he said. “The law says if you get a loan for the purpose of funding a campaign, you have to show the original source of the loan, the terms of the loan and you even have to provide a copy of the loan document to the Federal Election Commission.”

There would have been nothing improper about Mr. Cruz obtaining bank loans for his campaign, as long as they were disclosed. But such a disclosure might have conveyed the wrong impression for his candidacy.

Mr. Cruz, a conservative former Texas solicitor general, was campaigning as a populist firebrand who criticized Wall Street bailouts and the influence of big banks in Washington. It is a theme he has carried into his bid for the Republican nomination for president.

Earlier this year, when asked about the political clout of Goldman Sachs in particular, he replied, “Like many other players on Wall Street and big business, they seek out and get special favors from government.”

In recounting the decision to put all of their savings into the campaign, Mr. Cruz said in the 2013 Times interview that Mrs. Cruz immediately agreed to his proposal, even though he was trailing in the polls and still viewed as a long shot against Lt. Gov. David Dewhurst, who spent \$24 million of his own money on the race.

“What astonished me, then and now, was Heidi within 60 seconds said, ‘Absolutely,’ with no hesitation,” Mr. Cruz said.

Mrs. Cruz, who is on leave as a managing director at Goldman Sachs, later suggested that the reality was more complicated. She told Politico in 2014 that she thought they should apply “common investment sense” and not use their own money for the campaign “unless it made the difference” in winning. The article did not mention anything about loans from banks.

The money from the Cruzes allowed his campaign to keep running television

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ads in the period preceding the primary election, including a \$300,000 ad buy that highlighted the story of Mr. Cruz's father's flight from Cuba in the 1950s after opposing the Batista regime. Mr. Cruz earned enough votes in the primary to qualify for a runoff, where he defeated Mr. Dewhurst and went on to win the general election.

The ethics reports that candidates file with the Senate require them to list all assets they held at the close of the year or that generated income during the year. Assets are reported in broad categories of value, such as \$1,001 to \$15,000 and \$100,001 to \$250,000.

Mr. Cruz's filings show that at the close of 2011, he and his wife had cash and securities in bank, brokerage and retirement accounts worth \$1.3 million to \$3.4 million. They also had mortgages and a loan against Mr. Cruz's partnership equity in his law firm. During 2012, they sold securities worth \$82,000 to \$355,000, and the value of other holdings was reduced by, at most, \$155,000.

However, they also added a money-market account with \$250,000 to \$500,000 in it, and the value of other holdings increased by as much as \$435,000. All told, the value of their cash and securities in 2012 saw a net increase of as much as \$400,000 — even as the Cruzes were supposedly liquidating everything to finance Mr. Cruz's Senate campaign.

The biggest change in the Cruzes' finances in 2012 was the addition of the two bank loans, each valued at \$250,000 to \$500,000, during the first half of the year. One was a margin loan from Goldman Sachs. Margin loans, which are secured by holdings in a brokerage account, are often used to buy more stocks, but can be obtained for almost any purpose.

The other loan was a line of credit from Citibank. Even if the Citibank loan did not go directly into the Senate campaign, it could have freed up other assets for that purpose. While the Cruzes were well paid — he made more than \$1 million a year as a law partner, and she earned a six-figure income as an

executive in Goldman Sachs's Houston office — they also had big bills, including mortgage payments and full-time child care.

Both loans had floating interest rates around 3 percent, according to Mr. Cruz's Senate disclosures, which appear to be generally in line with rates available to wealthy borrowers at that time.

During the remainder of 2012, the Cruz campaign repaid Mr. Cruz for about half of the money he lent. His Senate disclosures show that he and his wife paid off the Citibank loan that same year. As for the Goldman Sachs loan, it remains outstanding, though the balance has been reduced to between \$50,000 and \$100,000.

The federal guide to campaign finance reporting for congressional candidates makes it clear that if the original source of money for a candidate's personal loan was a margin loan or a line of credit, it must be disclosed.

"Bank loans to candidates and loans derived from advances on a candidate's brokerage accounts, credit cards, home equity line of credit, or other lines of credit obtained for use in connection with his or her campaign must be reported by the committee," according to the guide.

Find out what you need to know about the 2016 presidential race today, and get politics news updates via Facebook, Twitter and the First Draft newsletter.

A version of this article appears in print on January 14, 2016, on page A1 of the New York edition with the headline: Cruz Neglected to Report Loan From '12 Race.

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Reporting Individual's Name: **TED CRUZ** Page Number: **2**

PART II. EARNED AND NON-INVESTMENT INCOME

Report the source (name and address), type, and amount of earned income to you from any source aggregating \$200 or more during the reporting period. For your spouse, report the source (name and address) and type of earned income which aggregate \$1,000 or more during the reporting period. No amount needs to be specified for your spouse. (See p.3, CONTENTS OF REPORTS Part B of Instructions.) Do not report income from employment by the U.S. Government for you or your spouse.

Individuals not covered by the Honorary Ban:
 For you and for your spouse, report honoraria income received which aggregates \$200 or more by exact amount, give the date of, and describe the activity (speech, appearance or article) generating such honoraria payment. Do not include payments in lieu of honoraria reported on Part I.

Line Number	Name of Income Source		Address (City, State)		Type of Income		Amount
	Example: JP Computers MCI (Spouse)		Wash., DC Arlington, VA	Example Example	Salary Salary	Example Example	
1	MORGAN, LEWIS & BOCKIUS LLP		HOUSTON, TX		SALARY		\$1,014,337
2	GOLDMAN SACHS & Co. (spouse)		HOUSTON, TX		SALARY		Over \$1,000
3	YOUNG AMERICA'S FOUNDATION		SANTA BARBARA, CA		HONORARIUM		Over \$1,000
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PART IIIA. PUBLICLY TRADED ASSETS AND UNEARNED INCOME SOURCES		Page Number 6				
BLOCK A Identity of Publicly Traded Assets and Unearned Income Sources		BLOCK B Valuation of Assets				
BLOCK C Type and Amount of Income		Amount of Income				
Reporting Individual's Name TED CRUZ Report the complete name of each publicly traded asset held by you, your spouse, or your dependent child. (See p.3, CONTENTS OF REPORTS Part B of Instructions) for production of income or investment which: (1) had a value exceeding \$1,000 at the close of the reporting period; and/or (2) generated over \$200 in "unearned" income during the reporting period. Include on this PART IIIA a complete identification of each public bond, mutual fund, publicly traded partnership interest, excepted investment funds, bank accounts, excepted and qualified blind trusts, and publicly traded assets of a retirement plan.	Example: DC, or J (S) IBM Corp. (stock) KeyStone Fund	None (or less than \$1,001) \$1,001 - \$15,000 \$15,001 - \$50,000 \$50,001 - \$100,000 \$100,001 - \$250,000 \$250,001 - \$500,000 \$500,001 - \$1,000,000 Over \$1,000,000***	None Dividends Rent Interest Capital Gains Excepted Investment Fund Excepted Trust Qualified Blind Trust Other (Specify Type)	None (or less than \$201) \$201 - \$1,000 \$1,001 - \$2,500 \$2,501 - \$5,000 \$5,001 - \$15,000 \$15,001 - \$50,000 \$50,001 - \$100,000 \$100,001 - \$1,000,000 Over \$1,000,000***	Actual Amount Required if "Other" Specified	
	1	USAA S29 - AGE DIVERS	X			
	2	USAA S29 - AGGRESSIVE GROWTH	X			
	3	USAA S27 - MIDCAP INT	X			
	4	USAA S29 - BALANCED	X			
	5					
	6					
	7					
	8					
	9					
10						

EXEMPTION TEST (see instructions below marking box): If you omitted any asset because it meets the three-part test for exemption described in the instructions, please check box to the right
 *** This category applies only if the asset is held independently by the spouse or dependent child. If the asset is held jointly, use the other categories of value, as appropriate.



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PART IIIB. NON-PUBLICLY TRADED ASSETS AND UNEARNED INCOME SOURCES		BLOCK C Type and Amount of Income		BLOCK B Valuation of Assets		BLOCK A Identity of Non-Publicly Traded Assets and Unearned Income Sources															
		Type of Income		Amount of Assets		Type of Income															
		Dividends	Rent	Interest	Capital Gains	Excepted Investment Fund	Excepted Trust	Qualified Blind Trust	Other (Specify Type)	None (or less than \$201)	\$201 - \$1,000	\$1,001 - \$2,500	\$2,501 - \$5,000	\$5,001 - \$15,000	\$15,001 - \$50,000	\$50,001 - \$100,000	\$100,001 - \$1,000,000	Over \$1,000,000	Over \$5,000,000	Actual Amount Required if "Other" Specified	
1	IP Computer, Software Design.																				
2	Wash DC Underdeveloped land, Dubuque, Iowa																				
3	ROGER LEWIS - CASH																				
4	BALANCE LETTERS PLAN																				
5	MURRAY LEWIS - FIA																				
6	CAPITAL ACCOUNT																				
7	TEXAS BLS RETIREMENT ACCOUNT																				
8	LOAN TO TED CRUE FOR TAXANTS																				
9	PROMISSORY NOTE FROM CAR INVESTMENTS HOLDINGS LTD																				
10																					

EXEMPTION TEST (see instructions before marking box): If you omitted any asset because it meets the three-part test for exemption described in the instructions, please check box to the right. *** This category applies only if the asset is/was held independently by the spouse or dependent child. If the asset is/was either held by the filer or jointly held, use the other categories of value, as appropriate.

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Reporting Individual's Name		PART VII. LIABILITIES										Page Number					
TED CRUZ												8					
<p>Report liabilities over \$10,000 owed by you, your spouse, or dependent child (See p.3 CONTENTS OF REPORTS Part B of instructions), to any one creditor at any time during the reporting period. Check the highest amount owed during the reporting period. Exclude: (1) Mortgages on your personal residences unless rented; (2) loans secured by automobiles, household furniture or appliances; and (3) liabilities owed to certain relatives listed in instructions. See instructions for reporting revolving charge accounts.</p>		Date Incurred	Interest Rate	Term if Applicable	Category of Amount of Value (x)												
					\$10,001 - \$15,000	\$15,001 - \$50,000	\$50,001 - \$100,000	\$100,001 - \$250,000	\$250,001 - \$500,000	\$500,001 - \$1,000,000	Over \$1,000,000***	\$1,000,001 - \$5,000,000	\$5,000,001 - \$25,000,000	\$25,000,001 - \$50,000,000	Over \$50,000,000		
Name of Creditor	Address	Type of Liability															
Example: DC, or J	First District Bank	Wash., DC	Mortgage on undeveloped land	1992	13%	25yrs											
	(J) John Jones	Wash., DC	Promissory Note	2000	10%	On demand											
1	CITIBANK	New York, NY	LOW TERM CAPITAL ACCOUNT LOAN	2008	1.25% - 1.75%	10 yrs		X									
2	CITYBANK	New York, NY	LINE OF CREDIT	2012	Prime	-		X									
3	BARCLAYS	New York, NY	MARGIN LOAN	2012	7% - 7.5%	-		X									
4																	
5																	
6																	
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EXEMPTION TEST (see instructions before marking box): If you omitted any asset because it meets the three-part test for exemption described in the instructions, please check box to the right. *** This category applies only if the asset is held independently by the spouse or dependent child. If the asset is held jointly, use the other categories of value, as appropriate.

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Reporting Individual's Name		PART VIII. POSITIONS HELD OUTSIDE U.S. GOVERNMENT					Page Number
TED CRUZ							9
<p>Report any positions held by you during the applicable reporting period whether compensated or not. Positions include, but are not limited to those of an officer, director, trustee, general partner, proprietor, representative, employee, or consultant of any corporation, firm, partnership, or other business enterprise or any non-profit organization or educational institution. Both the year and month must be reported for the period of time that the position was held.</p> <p>Exclude: Positions with federal government, religious, social, fraternal, or political entities, and those solely of an honorary nature.</p>							
Name of Organization	Address (City, State)	Type of Organization	Position Held	From (Mo/Yr)	To (Mo/Yr)		
<i>Examples:</i> National Assn. of Rock Collectors	NY, NY	Non-profit education	President	6/91	Present		
Jones & Smith	Hometown, USA	Law Firm	Partner	7/96	11/1X		
1 FREE ENTERPRISE INSTITUTE	HOUSTON, TX	Non-Profit Education	TRUSTEE	10/11	PRES-1		
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<p>Compensation in excess of \$200 from any position must be reported in Part II.</p>							